

LEGISLATIVE BUDGET BOARD

Overview of Selected Transportation Funding Sources

**Proposition 1 (2014), Proposition 7 (2015), and
the Texas Mobility Fund**

**PRESENTED TO HOUSE COMMITTEE ON TRANSPORTATION
LEGISLATIVE BUDGET BOARD STAFF**

SEPTEMBER 2020

Statement of Interim Charge

Related to the House Transportation Committee request for information regarding Interim Charge 1: Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including: Interim Charge 1B: SB 282 and SB 962, which relate to the funding for the State Highway Fund. Study the current mix of user fee-based funding for the state highway system, including registration fees, tolls, and fuel tax, and determine if current funding generated is sufficient to maintain cost demands. Examine whether current legislative appropriations, including projections for Proposition 1 (severance tax) and Proposition 7(sales tax) funds, are keeping pace with Texas' highway funding needs to accommodate population and economic development growth. Make recommendations for additional methods of funding or innovative tools that the state could utilize to deliver road infrastructure projects.

1. Proposition 1, 2014, Oil and Natural Gas Tax-related Transfers to the State Highway Fund (SHF)
2. Proposition 7, 2015, State Sales Tax and Motor Vehicle Sales and Rental Tax Allocations to the SHF
3. Texas Mobility Fund
4. Figures:
 - Texas Department of Transportation Funding Sources, 2020-21 Biennium
 - SHF Revenue Sources, 2020-21 Biennium
 - Texas Mobility Fund Revenue Sources, 2020-21 Biennium

Proposition 1, 2014

- Proposition 1, approved by voters in November 2014, amended the Texas Constitution, Article 3, Sec. 49-g, to direct the Comptroller, each fiscal year, to transfer to the State Highway Fund (SHF) up to one-half of the amount of General Revenue previously allocated to the Economic Stabilization Fund (ESF).
- Transfers to the ESF and SHF are equal to 75 percent of the amount by which oil and natural gas production tax collections exceed the FY 1987 collection levels.
- Sec. 49-g requires the Legislature by general law to provide a procedure to increase the transfer to the ESF to an amount greater than the one-half allocation (see Government Code, Ch. 316, Subchapter H, Sec. 316.092 and Sec. 316.093).
- To date, the Legislature has not taken action to increase the ESF transfer or decrease the SHF transfer amount.
- Money transferred to the SHF may only be used for construction, maintenance, and acquisition of rights-of-way for non-tolled public roadways.
- Government Code, Sec. 316.094, requires TxDOT to use and allocate Proposition 1 transfers to the SHF consistent with existing formulas adopted by the Texas Transportation Commission.
- Proposition 1 allocations to the SHF expire on December 31, 2034 (FY 2035).
- \$7.1 billion total Proposition 1 transfers to the SHF from FY 2015 to FY 2020.

Proposition 1 Transfers to SHF (in Millions)					
FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
\$1,740.1	\$1,134.7	\$439.5	\$734.4	\$1,384.1	\$1,665.3

Proposition 7, 2015

- Proposition 7, approved by voters in November 2015, amended the Texas Constitution to direct the Comptroller to deposit the following to the SHF:
 - Beginning in FY 2018, \$2.5 billion of the net revenue derived from the state sales and use tax that exceeds the first \$28.0 billion collected in each fiscal year through FY 2032.
 - Beginning in FY 2020, 35 percent of the revenues collected from the state motor vehicle sales and rental taxes that exceed \$5.0 billion in each fiscal year through FY 2029.
- Revenue allocated to the SHF may be appropriated only to:
 - Construct, maintain, or acquire rights-of-way for non-tolled public roadways; or
 - Repay principal and interest on Highway Improvement General Obligation bonds issued under Texas Constitution, Article 3, Sec. 49-p (Proposition 12, 2007).
- The Legislature is authorized to do the following by adoption of a resolution:
 - Reduce the SHF allocation from either revenue source by an amount or percentage not to exceed 50 percent of the amount that would have been allocated to the SHF from that source in the affected fiscal year; and
 - Extend the SHF allocations in 10 year increments.
- \$7.5 billion from Proposition 7 sales tax allocations have been deposited to the SHF from FY 2018 to FY 2020.
- To date, the Legislature has not adopted a resolution to reduce the amount of Proposition 7 allocations to the SHF.

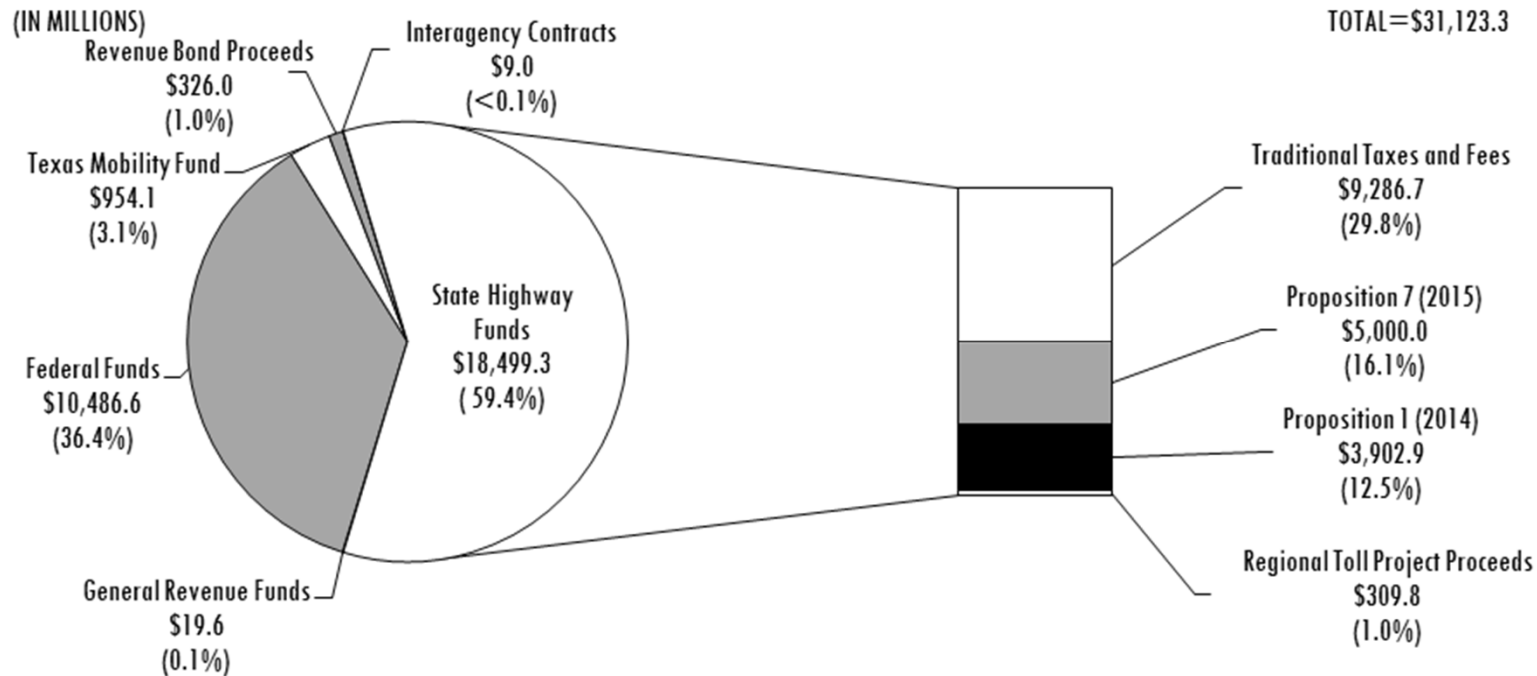
Texas Mobility Fund

- Sec. 49-k, Article 3 of the Texas Constitution (approved by voters in November 2001) created the Texas Mobility Fund (TMF) and established the Texas Transportation Commission (TTC) as the administrator of the fund.
- Sec. 49-k authorizes the TMF to be used for:
 - Financing costs for acquisition of right-of-way and the design, construction, reconstruction, acquisition, and expansion of state highways; and
 - State participation in paying part of the costs of construction and providing publicly owned toll roads and other public transportation projects.
- The Legislature may dedicate to the TMF taxes and other revenues that are not otherwise dedicated by the Texas Constitution. (See pages 6 and 9 for TMF revenue sources.)
- Pursuant to Sec. 49-k and Transportation Code Sec. 201.943, TTC is authorized to issue and sell bonds and enter into credit agreements that are secured by and payable from money in the TMF and also backed by the full faith and credit of the state.
- Enactment of House Bill 122, 84th Legislature, 2015, amended the Transportation Code to prohibit the issuance of new TMF bond obligations after January 1, 2015.
- TTC may issue obligations to refund outstanding obligations to provide savings to the state and to renew or replace credit agreements relating to variable rate obligations.
- Money in the TMF in excess of the amounts required to be retained under bond obligations and credit agreements may be used for any purpose for which bonds may be issued other than toll roads.

Texas Mobility Fund (continued)

- State revenue sources dedicated to the TMF include:
 - Drivers License Fees;
 - Driver Record Information Fees;
 - Vehicle Inspection Fees;
 - Vehicle Certificate of Title Fees; and
 - Motor Carrier Act Penalties.
- \$7.4 billion in authorized TMF bond capacity issued by the Texas Transportation Commission from FY 2005 to FY 2015.

TxDOT Funding Sources, 2020-21 Biennium

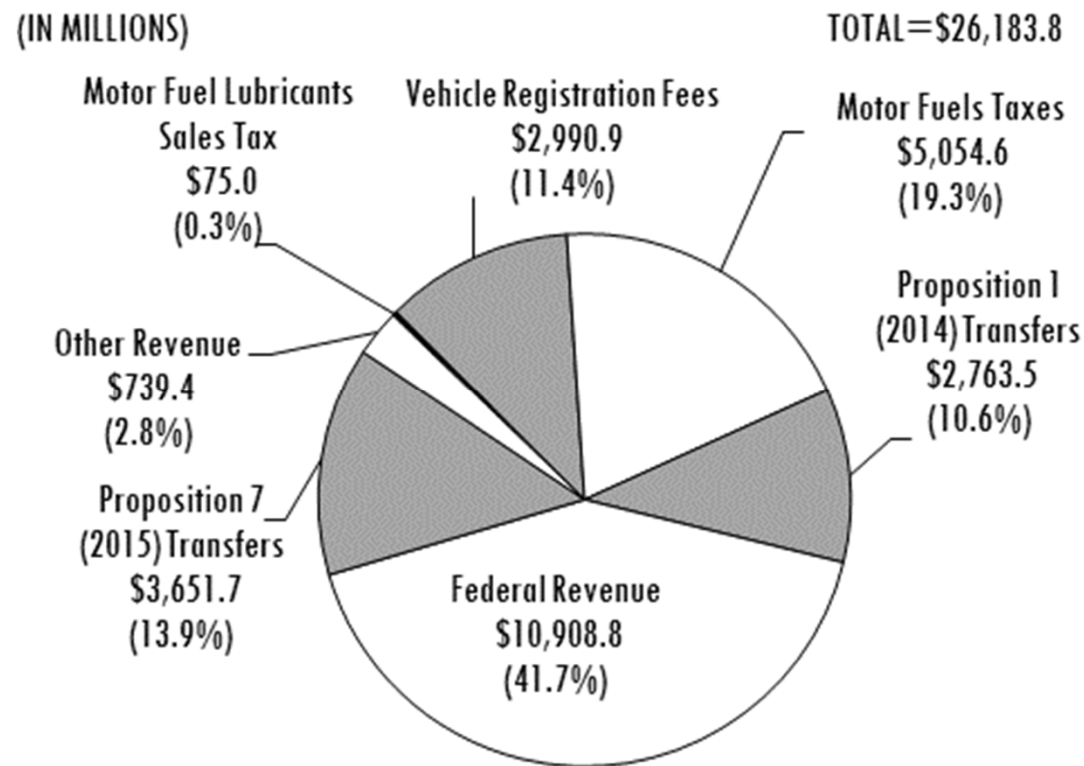


NOTES:

- 1) State Highway Funds and Texas Mobility Funds are estimated and exclude Federal Funds deposited to the credit of these funds.
- 2) Appropriated amounts from Proposition 1 and Proposition 7 proceeds for the 2020-21 biennium are based on the Comptroller of Public Accounts' January 2019 Biennial Revenue Estimate (BRE). Proposition 1 funding includes \$2,855.7 million from oil and natural gas tax-related transfers to the SHF for the 2020-21 biennium based on the BRE and an estimated \$1,047.2 million in balances from prior years' transfers to the SHF. Proposition 7 funding reflects the BRE estimate of \$5.0 billion (\$2.5 billion each fiscal year) from sales tax transfers to the SHF for the 2020-21 biennium.

SOURCE: Legislative Budget Board

SHF Revenue Sources, 2020-21 Biennium

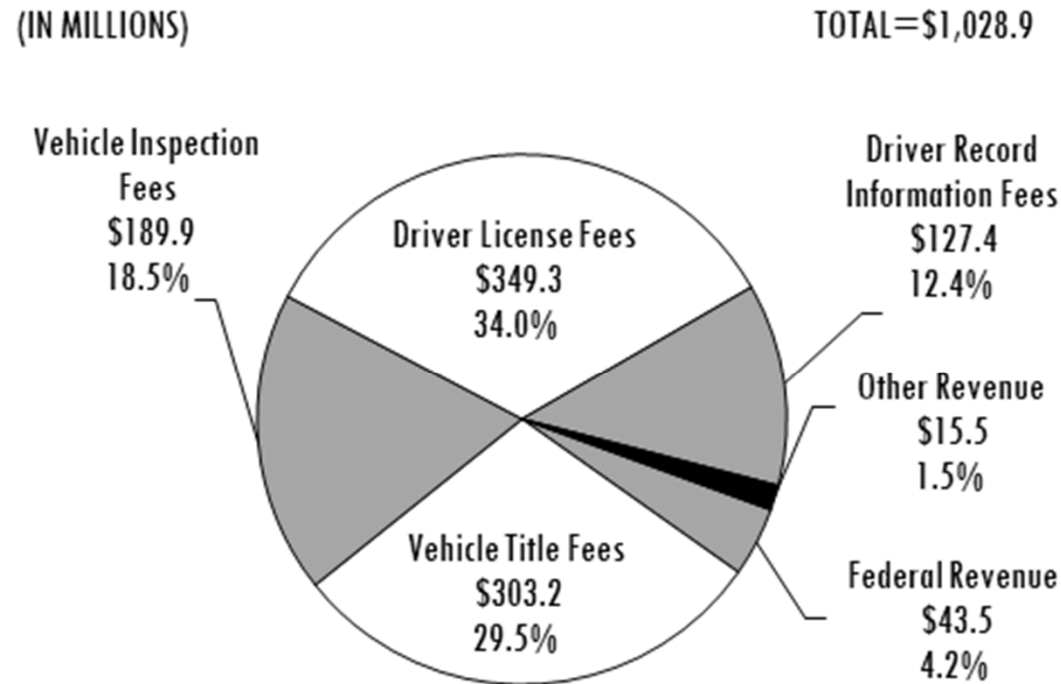


NOTES:

- 1) Amounts are estimated.
- 2) Proposition 7 (2015) represents estimated sales tax transfers to the SHF during the 2020-21 biennium. The Comptroller estimates the SHF will receive \$2.5 billion from sales taxes collected in each year of the biennium, although the final transfer from fiscal 2021 collections will not occur until September 2021, the first month of FY 2022.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts 2020-21 Certification Revenue Estimate - Revised July 2020

TMF Revenue Sources, 2020-21 Biennium



NOTE: Amounts are estimated.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts 2020-21 Certification Revenue Estimate – Revised July 2020



LEGISLATIVE BUDGET BOARD

Contact the LBB

Legislative Budget Board

www.lbb.state.tx.us

512.463.1200